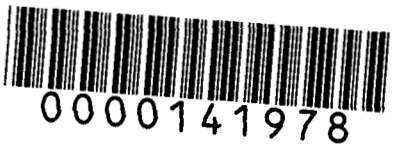
OPEN MEETING AGENDA ITEM

ORIGINAL



Tucson Electric Power
A UniSource Energy Company
P. O. Box 711
Tucson, Arizona 85702

January 31, 2013

Chairman Bob Stump
Commissioner Gary Pierce
Commissioner Brenda Burns
Commissioner Bob Burns
Commissioner Susan Bitter Smith

RE: Integrated Resource Planning - Docket No. E-00000A-11-0113

Dear Commissioners:

Tucson Electric Power Company ("TEP" or "Company") submits the following answers in response to Commissioner Pierce's January 11, 2013 letter regarding generating capacity.

Question 1: What is the existing reserve capacity for each load-serving entity, and how does that compare with the reserve capacity for that entity over the past twenty years?

TEP's reserve capacity for 2012 was 12%. For reliability purposes, TEP has generally maintained its operating reserve margins between 7% - 12% over the past twenty years. To put this in context with TEP's load and resources, TEP's system peak load for 2012 was 2404 MW. TEP currently has 2311 MW of generating capacity. Attachment A sets forth a list of TEP's generating sources. During the last 10 years, TEP has relied on the merchant wholesale market for approximately 300 to 500 MW of firm purchased power resources to meet TEP's summer peak. On a system capacity basis, these firm market resources cover approximately 20% of TEP's summer peaking requirements. As part of the Company's on-going hedging practices, TEP firms up its summer capacity requirements with a variety of firm purchased power products from various counterparties prior to the delivery year. Attachment B provides a graph showing TEP's historical loads and resources for the period 1992-2012 and Part 1 of Attachment C provides specific reserve capacity information for the period 1992-2012.

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Question 2: What are the load-serving entities' existing off-system sales and how do those sales compare with previous sales over the past twenty years?

Please see Line 2 of Attachment C, which sets forth this information for the period 1992-2012.

Question 3: What is the outlook for off-system sales for each load-serving entity in the future?

Please see Line 3 of Attachment C, which sets forth current estimates for the period 2012-2032.

Question 4: What has been the aggregate capacity factor (actual load served divided by the system load serving capacity) for each load-serving entity over the last twenty years for the following:

a. at system peak load for the year,
b. at average load during the peak month,
c. at average annual load,
d. at average load during the lowest load month?

Please see Lines 4a-d of Attachment C, which set forth this information for the period 1992-2012.

Question 5: Are there reasons to believe that maintaining and even increasing the existing excess reserve capacity in the short-term will mitigate rate increases in the future when an eventual economic recovery will inevitably increase electric demand?

TEP is actively engaged in the regional wholesale power market and continuously monitors the supply and demand fundamentals for the Desert Southwest region. Based on current market conditions, merchant combined cycle generation assets are valued at a substantial discount to new-build resources. Given TEP's current ability to rely on the wholesale market for short-term power purchases, increasing the existing reserve capacity requirements in the short-term would put upward pressure on customer rates today as current forecasts of retail electricity sales levels remain relatively flat. However, if TEP required more generating capacity in the near future due to projected load growth, reliability requirements or early retirement of a portion of the Company's existing coal fleet, TEP could enter into a long-term power purchase agreement or acquire an existing

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merchant plant based on today's asset valuations to potentially mitigate future rate increases for TEP's customers.

I trust the above information addresses your questions. Please contact me if you have any questions or would like additional information.

Sincerely,

Mike Sheehan
Director, Resource Planning
(520) 884-3656
msheehan@tep.com

cc: Docket Control (original and 13 copies)

ATTACHMENT

"A"

Tucson Electric Power Company
Integrated Resource Planning

		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	Thermal Resources, MW	1,952	1,952	1,952	1,952	1,992	1,992	1,896	1,904	1,904	1,999	1,999	1,999	1,999	1,999	2,189	2,199	2,199	2,224	2,237	2,249	2,249
	SCE Diversity Exchange, MW				110	110	110	110	110	110	110	110	110	110	110							
	Short-Term Market Purchases, MW							100	100	200	75	100	275	300	400	475	525	400	500	450	450	450
	Firm Resource Capacity, MW	1,952	1,952	1,952	2,062	2,102	2,102	2,106	2,114	2,214	2,184	2,209	2,384	2,409	2,509	2,664	2,724	2,599	2,724	2,687	2,699	2,699
	Renewable Resources, Nameplate MW											3	4	5	5	5	5	5	5	8	13	13
	Total Capacity Including Renewables, MW	1,952	1,952	1,952	2,062	2,102	2,102	2,106	2,114	2,214	2,184	2,212	2,388	2,414	2,514	2,669	2,729	2,604	2,729	2,695	2,712	2,712
	Retail Load, MW	1,399	1,449	1,585	1,617	1,619	1,659	1,786	1,754	1,862	1,840	1,899	2,060	2,088	2,225	2,365	2,386	2,295	2,354	2,333	2,334	2,290
	Firm Wholesale Loads, MW	129	213	221	194	215	180	186	173	189	167	165	165	158	135	136	138	130	160	136	133	114
	Total Firm Load Obligations, MW	1,528	1,662	1,806	1,811	1,834	1,839	1,972	1,927	2,051	2,007	2,064	2,225	2,246	2,360	2,501	2,524	2,425	2,514	2,469	2,467	2,404
	Reserve Capacity, MW	424	290	146	251	268	263	134	187	163	177	145	159	163	149	163	200	174	210	218	232	295
	Reserve Margin, %	28%	17%	8%	14%	15%	14%	7%	10%	8%	9%	7%	7%	7%	6%	7%	8%	7%	8%	9%	9%	12%
2	Sales for Resale GWh (1)	1,850	1,926	1,946	1,802	2,684	2,581	3,585	4,297	4,976	5,910	3,549	2,166	2,162	3,277	3,717	3,948	4,471	3,794	2,927	2,697	3,139

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
3	Economy Sales from System Resources, GWh (2)	1328	1135	1592	1939	2250	2409	2119	2357	1338	1125	1369	1269	1056	614	526	450	419	389	362	337	313

		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Firm Resource Capacity (Peak Month), MW	1,952	1,952	1,952	2,062	2,102	2,102	2,106	2,114	2,214	2,184	2,209	2,384	2,409	2,509	2,664	2,724	2,599	2,724	2,687	2,699	2,699
	Firm Resource Capacity (Non Peak Month), MW	1,952	1,952	1,952	1,952	1,992	1,992	1,896	1,904	1,904	1,999	1,999	1,999	1,999	1,999	2,189	2,199	2,199	2,224	2,237	2,249	2,249
4 a.	System Peak (Month-Year)	08-1992	08-1993	06-1994	08-1995	07-1996	8-1997	7-1998	7-1999	08-2000	09-2001	06-2002	08-2003	08-2004	07-2005	07-2006	07-2007	06-2008	08-2009	07-2010	06-2011	08-2012
	Peak Demand (MW)	1,528	1,662	1,806	1,811	1,834	1,839	1,972	1,927	2,051	2,007	2,064	2,225	2,246	2,360	2,501	2,524	2,425	2,514	2,469	2,467	2,404
	Peak Hour Capacity Factor (3)	78%	85%	93%	88%	87%	87%	94%	91%	93%	92%	93%	93%	93%	94%	94%	93%	93%	92%	92%	91%	89%
4 b.	Average Load Served for the Peak Month	1,226	1,356	1,371	1,438	1,538	1,629	1,959	1,830	2,086	1,964	1,893	1,658	1,676	1,964	1,908	2,029	2,357	2,080	2,069	1,861	1829
	Average Capacity Factor Including Resale (4)	63%	69%	70%	70%	73%	78%	93%	87%	94%	90%	86%	70%	70%	78%	72%	74%	91%	76%	77%	69%	68%
	Average Load Served for the Peak Month	950	995	1,043	1,121	1,185	1,162	1,214	1,166	1,242	1,236	1,263	1,341	1,339	1,664	1,552	1,525	1,472	1,533	1,527	1,379	1487
	Average Capacity Factor Excluding Resale (5)	49%	51%	53%	54%	56%	55%	58%	55%	56%	57%	57%	56%	56%	66%	58%	56%	57%	56%	57%	51%	55%
4 c.	Average Load Served for the Year Including Resale	1,037	1,134	1,218	1,131	1,302	1,338	1,478	1,579	1,721	1,853	1,520	1,418	1,452	1,615	1,696	1,781	1,815	1,676	1,620	1,589	1,580
	Average Annual Capacity Factor (6)	53%	58%	62%	58%	65%	67%	78%	83%	90%	93%	76%	71%	73%	81%	77%	81%	83%	75%	72%	71%	70%
	Total Load including Resale																					
	Average Load Served for the Year Excluding Resale	794	813	860	866	917	935	951	970	1,002	1,026	994	1,026	1,057	1,243	1,294	1,154	1,151	1,146	1,130	1,131	1,173
	Average Annual Capacity Factor (7)	41%	42%	44%	44%	46%	47%	50%	51%	53%	51%	50%	51%	53%	62%	59%	52%	52%	52%	51%	50%	52%
	Total Load Excluding Resale																					
4 d.	Lowest Load Month (Month-Year)	02-1992	03-1993	03-1994	02-1995	03-1996	11-1997	11-1998	03-1999	02-2000	03-2001	03-2002	01-2003	01-2004	03-2005	02-2006	02-2007	03-2008	03-2009	03-2010	11-2011	3-2012
	Average Load Served Lowest Load Month (include Resale)	925	970	1,114	1,011	1,084	1,326	1,373	1,342	1,544	1,549	1,221	1,241	1,339	1,337	1,593	1,714	1,515	1,382	1,338	1,498	1388
	Minimum Month Capacity Factor incl. Resale (8)	47%	50%	57%	52%	54%	67%	72%	70%	81%	77%	61%	62%	67%	67%	73%	78%	69%	62%	60%	67%	62%
	Average Load Served Lowest Load Month (Excluding Resale)	695	693	713	740	767	808	796	839	857	856	824	819	889	1,048	1,108	939	932	935	987	936	925
	Minimum Month Capacity Factor excl. Resale (9)	36%	36%	37%	38%	38%	41%	42%	44%	45%	43%	41%	41%	44%	52%	51%	43%	42%	42%	44%	42%	41%

Notes:

(1) Data Source, FERC Form 1 (Sales for Resale, Account 447) Based on aggregate system sales and includes sales transactions not sourced out of TEP's resource capacity.

(2) Data Source, 2012 TEP Planning Forecast. Only includes sales sourced out of TEP's resource capacity .

(3) Peak Demand Excluding Resale (Peak Month MW) / Firm Resource Capacity (Peak Month MW)

(4) Average Demand Including Resale (Peak Month MW) / Firm Resource Capacity (Peak Month MW)

(5) Average Demand Excluding Resale (Peak Month MW) / Firm Resource Capacity (Peak Month MW)

(6) Average Annual Demand including Resale / Firm Resource Capacity (Non Peak Month MW)

(7) Average Annual Demand Excluding Resale / Firm Resource Capacity (Non Peak Month MW)

(8) Average Demand including Resale (Lowest Month MW) / Firm Resource Capacity (Non Peak Month MW)

(9) Average Demand Excluding Resale (Lowest Month MW) / Firm Resource Capacity (Non Peak Month MW)

ATTACHMENT

"C"

Tucson Electric Power Company
Integrated Resource Planning

		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	Thermal Resources, MW	1,952	1,952	1,952	1,952	1,992	1,992	1,896	1,904	1,904	1,999	1,999	1,999	1,999	1,999	2,189	2,199	2,199	2,224	2,237	2,249	2,249
	SCE Diversity Exchange, MW				110	110	110	110	110	110	110	110	110	110	110							
	Short Term Market Purchases, MW							100	100	200	75	100	275	300	400	475	525	400	500	450	450	450
	Firm Resource Capacity, MW	1,952	1,952	1,952	2,062	2,102	2,102	2,106	2,114	2,214	2,184	2,209	2,384	2,409	2,509	2,664	2,724	2,599	2,724	2,687	2,699	2,699
	Renewable Resources, Nameplate MW											3	4	5	5	5	5	5	5	8	13	13
	Total Capacity Including Renewables, MW	1,952	1,952	1,952	2,062	2,102	2,102	2,106	2,114	2,214	2,184	2,212	2,388	2,414	2,514	2,669	2,729	2,604	2,729	2,695	2,712	2,712
	Retail Load, MW	1,398	1,449	1,585	1,617	1,619	1,659	1,786	1,854	1,862	1,840	1,899	2,060	2,088	2,225	2,365	2,386	2,295	2,354	2,333	2,324	2,330
	Firm Wholesale Loads, MW	130	213	221	194	215	180	186	173	189	167	165	165	158	135	136	138	130	160	136	133	114
	Total Firm Load Obligations, MW	1,528	1,662	1,806	1,811	1,834	1,839	1,972	2,027	2,051	2,007	2,064	2,225	2,246	2,360	2,501	2,524	2,425	2,514	2,469	2,457	2,444
	Reserve Capacity, MW	424	290	146	251	268	263	134	87	163	177	145	159	163	149	163	200	174	210	218	232	295
	Reserve Margin, %	28%	17%	8%	14%	15%	14%	7%	4%	8%	9%	7%	7%	7%	6%	7%	8%	7%	8%	9%	9%	12%
2	Sales for Resale, GWh (1)	1,850	1,926	1,946	1,802	2,684	2,581	3,585	4,297	4,976	5,910	3,549	2,166	2,162	3,277	3,717	3,948	4,471	3,794	2,927	2,697	3,139

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
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		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Firm Resource Capacity (Peak Month), MW	1,952	1,952	1,952	2,062	2,102	2,102	2,106	2,114	2,214	2,184	2,209	2,384	2,409	2,509	2,664	2,724	2,599	2,724	2,687	2,699	2,699
	Firm Resource Capacity (Non Peak Month), MW	1,952	1,952	1,952	1,952	1,992	1,992	1,896	1,904	1,904	1,999	1,999	1,999	1,999	1,999	2,189	2,199	2,199	2,224	2,237	2,249	2,249
4 a.	System Peak (Month-Year)	08-1992	08-1993	08-1994	08-1995	07-1996	8-1997	7-1998	7-1999	08-2000	09-2001	06-2002	08-2003	08-2004	07-2005	07-2006	07-2007	06-2008	08-2009	07-2010	08-2011	08-2012
	Peak Demand (MW)	1,528	1,662	1,806	1,811	1,834	1,839	1,972	1,927	2,051	2,007	2,064	2,225	2,246	2,360	2,501	2,524	2,425	2,514	2,469	2,457	2,404
	Peak Hour Capacity Factor (3)	78%	85%	93%	88%	87%	87%	94%	91%	93%	92%	93%	93%	93%	94%	94%	93%	93%	92%	92%	91%	89%
4 b.	Average Load Served for the Peak Month	1,226	1,356	1,371	1,438	1,538	1,629	1,959	1,930	2,086	1,964	1,893	1,658	1,676	1,964	1,908	2,029	2,357	2,080	2,069	1,961	1829
	Average Capacity Factor Including Resale (4)	63%	69%	70%	70%	73%	78%	93%	91%	94%	90%	86%	70%	70%	78%	72%	74%	91%	76%	77%	69%	68%
	Average Load Served for the Peak Month	950	995	1,043	1,121	1,195	1,162	1,014	1,166	1,242	1,236	1,263	1,341	1,339	1,664	1,552	1,525	1,422	1,533	1,527	1,379	1487
	Average Capacity Factor Excluding Resale (5)	49%	51%	53%	54%	56%	55%	58%	55%	56%	57%	57%	56%	56%	66%	58%	56%	54%	56%	57%	51%	55%
4 c.	Average Load Served for the Year Including Resale	1,037	1,133	1,218	1,134	1,302	1,338	1,478	1,529	1,721	1,853	1,520	1,418	1,452	1,615	1,696	1,781	1,815	1,626	1,620	1,589	1,590
	Average Annual Capacity Factor (6)	53%	58%	62%	58%	65%	67%	78%	83%	90%	93%	76%	71%	73%	81%	77%	81%	83%	75%	77%	71%	70%
	Total Load including Resale																					
	Average Load Served for the Year Excluding Resale	794	813	860	868	917	935	951	970	1,002	1,026	994	1,026	1,057	1,243	1,294	1,154	1,151	1,146	1,130	1,131	1,173
	Average Annual Capacity Factor (7)	41%	42%	44%	44%	46%	47%	50%	51%	53%	51%	50%	51%	53%	62%	50%	52%	52%	52%	51%	50%	52%
	Total Load Excluding Resale																					
4 d.	Lowest Load Month (Month-Year)	02-1992	01-1993	01-1994	03-1995	04-1996	11-1997	11-1998	03-1999	02-2000	03-2001	03-2002	01-2003	01-2004	03-2005	02-2006	02-2007	03-2008	03-2009	03-2010	11-2011	03-2012
	Average Load Served Lowest Load Month (include Resale)	925	970	1,114	1,011	1,084	1,326	1,373	1,313	1,501	1,549	1,221	1,241	1,339	1,337	1,593	1,714	1,515	1,382	1,338	1,498	1388
	Minimum Month Capacity Factor incl Resale (8)	47%	50%	57%	52%	54%	67%	72%	70%	81%	77%	61%	62%	67%	67%	73%	78%	69%	63%	60%	67%	62%
	Average Load Served Lowest Load Month (Excluding Resale)	695	633	713	740	767	808	796	830	857	856	824	819	889	1,048	1,108	939	932	935	987	936	926
	Minimum Month Capacity Factor excl Resale (9)	36%	36%	37%	38%	38%	41%	42%	44%	45%	43%	41%	41%	44%	52%	51%	43%	42%	42%	44%	42%	41%

Notes:

(1) Data Source, FERC Form 1 (Sales for Resale, Account 447). Based on aggregate system sales and includes sales transactions not sourced out of TEP's resource capacity.

(2) Data Source, 2012 TEP Planning Forecast. Only includes sales sourced out of TEP's resource capacity

(3) Peak Demand Excluding Resale (Peak Month MW) / Firm Resource Capacity (Peak Month MW)

(4) Average Demand Including Resale (Peak Month MW) / Firm Resource Capacity (Peak Month MW)

(5) Average Demand Excluding Resale (Peak Month MW) / Firm Resource Capacity (Peak Month MW)

(6) Average Annual Demand Including Resale / Firm Resource Capacity (Non Peak Month MW)

(7) Average Annual Demand Excluding Resale / Firm Resource Capacity (Non Peak Month MW)

(8) Average Demand Including Resale (Lowest Month MW) / Firm Resource Capacity (Non Peak Month MW)

(9) Average Demand Excluding Resale (Lowest Month MW) / Firm Resource Capacity (Non Peak Month MW)